

Mozambique Agri-Sector – Promising Years Ahead

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Located along the east coast of Southern Africa, Mozambique is ideally located for the export market of agri-commodities to Asia and Middle East. Allied to the favorable agro-ecological conditions, especially in the center and northern part of the country it is no wonder that Mozambique is attracting FDI to the agriculture sector.

At this stage all seems to be aligning for a considerable boom of the Mozambican agri-sector in the coming years, and certainly advantage will be with the early investors.

Which factors may contribute to the growth of the sector?

Apart from the well-known good agro-ecological conditions, availability of land, the following should be playing an important role in the development of the Mozambican Agriculture Sector:

- 1- **Political Will:** for the first time in the history of the country, the government has allocated 10% of the State Budget to the agriculture sector. There is a clear vision that the development of the agri-sector will improve the lives of the rural Mozambicans, with the improvement of road and power infrastructure, as well as better household incomes.
- 2- **Financial Support:** the compromise of the Government with the development of the agriculture sector has already caught the attention of the World Bank, which approved a \$500 million for the nation wide SUSTENTA program, which is the main government program to drive the effort to further the Mozambican agriculture.
The African Development Bank is not lagging behind with the latest financing coming at a tune of \$200 million directed to the agri-sector.
- 3- **Structuring Projects:** the Oil&Gas projects being developed in the north of Mozambique are going to be a considerable driver of demand for agriculture commodities for the next decade with thousands of foreign and local workers coming for the construction phase.
- 4- **Foreign Direct Investment facilities:** Mozambique has setup a legal framework to facilitate the registration and implementation of FDI, through the APIEX, where some level of tax exemption is possible.
Adding to this, Mozambique has several double taxation agreements, such as with Macau, Mauritius, UAE, Portugal, South Africa, which may facilitate the structuring of financing arrangements.

Which agri-commodities should FDI be targeting in Mozambique?

Before diving into to the details of which commodities to invest in, it is important to look at the potential markets for the Mozambican agri-commodities. As mentioned above, Asia and Middle East less than 24h by plane, and maximum 45 days by ship to the Chinese ports.

One should also never lose sight of the 200 million people living in Southern Africa, to which Mozambique has 3 major road and railway corridors into the inland countries.

Considering that the investments in the agri-sector are typically medium to long term investments, it is worth contemplating that China and India alone, by 2040, will hold the world's largest middle class, demanding good quality and healthy food (a major global trend in the food sector)

With this in mind the main agri-commodities investors should look at:

- **Fruits:** Avocados, Banana, Papaya, Pineapple.
We highlight Avocados for their huge growing demand and the impossibility of the world production to meet demand any time soon, which may keep prices on the high side.
Banana is the unavoidable as the most consumed fruit in the world and Mozambique has good growing conditions.
Papaya and Pineapple are short cycle fruits with a good local and regional market. They are also suited for juice manufacturing.
- **Nuts:** Cashewnuts, Macadamia
Growing demand for these commodities range from the simple nut snack, chocolate and pastry industry, to the cosmetic industry. This makes these well worth medium to long term investment.
- **Pulses** (common beans, chickpeas, others)
Local and regional demand for these products is ever growing, and are a great protein source challenging the meat industry, that still has a long way to go due to general low purchase power in the region.